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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

Secret

Nº 042

29 December 1971

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Approved For Release 2003/05/19 : CIA-RDP79T00975A020800070001-3

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No. 0311/71
29 December 1971

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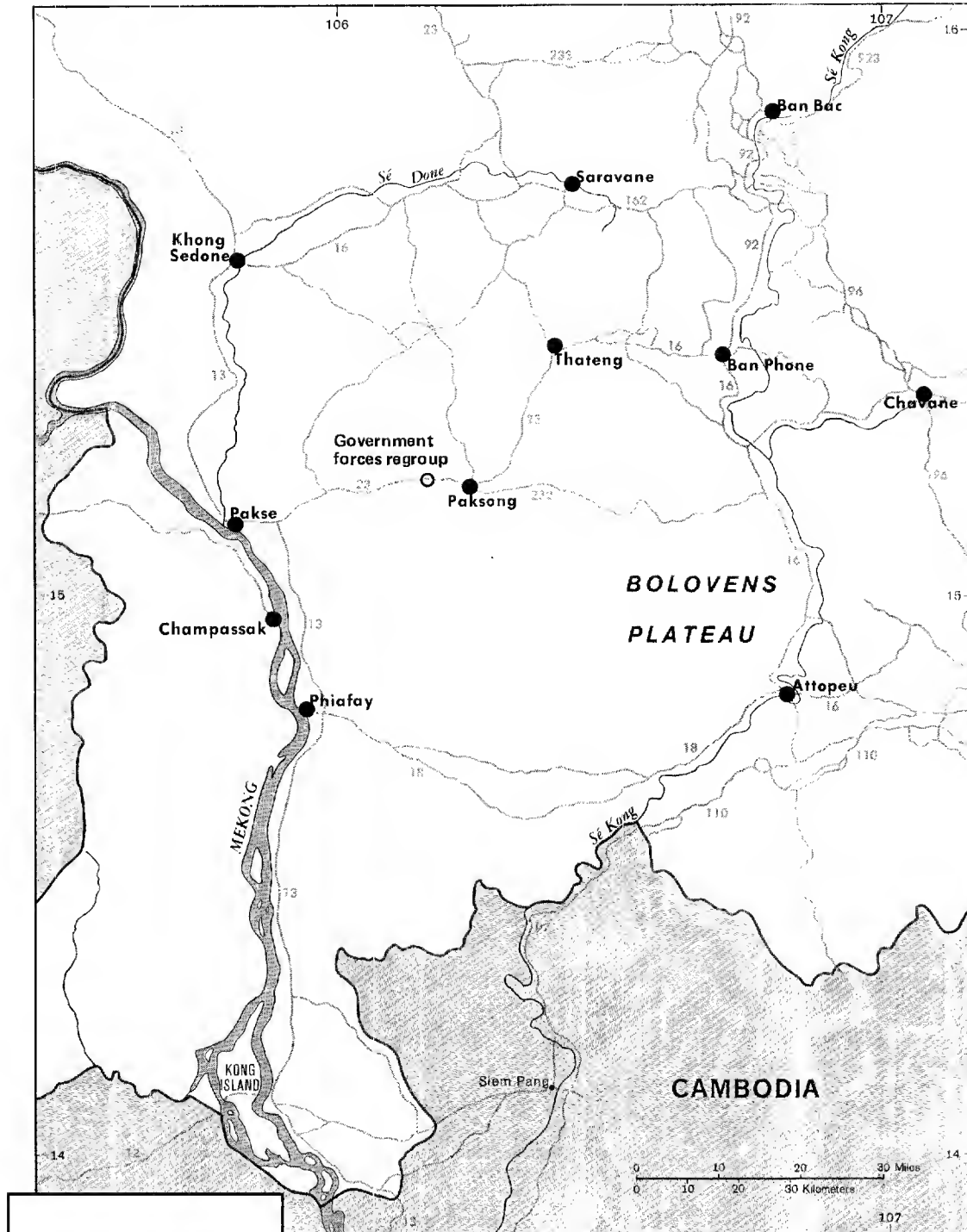
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LAOS: Bolovens Plateau Area



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[LAOS: The government forces that abandoned Paksong yesterday are trying to regroup along Route 23.

Air observers have reported heavy North Vietnamese troop and armor concentrations just north of this area, however, and it is likely that any enemy show of force would cause the government troops to withdraw farther west. Only one of the eight government battalions that pulled out of the Paksong area suffered significant casualties; the others withdrew before any concerted enemy attacks were launched. Four 105-mm. howitzers and five trucks were abandoned in Paksong; two other 105s were moved westward with the retreating troops.

The North Vietnamese captured Paksong for the first time last May. An extended government counter-offensive--costly to both sides--finally regained the town in mid-September, but the North Vietnamese kept their units in place nearby and almost immediately began preparing for a new offensive. Additional Communist units--at least some from the 2nd North Vietnamese Division--were brought into the area north of the Plateau last month.

The North Vietnamese clearly have put a high priority on wresting control of the Bolovens from the government. It provides them both a buffer zone for their main infiltration corridors to South Vietnam and Cambodia and the option of opening new routes just east of or even across the Plateau. There is no evidence that the North Vietnamese intend to depart from their long-standing policy and attack the Lao population centers along the Mekong River. They may, however, make a greater effort than before to threaten the town of Pakse in an attempt to keep government forces tied down in defensive positions away from the infiltration corridors.

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[The loss of Paksong will probably increase political pressures on the Souvanna Phouma government in Vientiane. Southern rightists will view with dismay the loss of territory in which they have traditionally held controlling political and financial interests. They frequently have criticized Souvanna's neutralist policies and are likely to renew their efforts to push the government toward closer ties with South Vietnam, Thailand, and Cambodia. They also will be increasingly reluctant to agree to the redeployment of forces out of south Laos to help in the defense of Long Tieng.

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BANGLA DESH: The Awami League appears to be increasingly opposed to sharing power with other parties.

With the appointment of five new members on 27 December, the Bangla Desh cabinet now consists of ten Awami Leaguers. Prime Minister Tajuddin Ahmad told newsmen that several more ministerial appointments would be announced in the near future, but he reportedly ruled out the inclusion of non - Awami Leaguers. He also said that new elections would not be held soon.

The moderate, middle class - oriented Awami League won a landslide electoral victory in East Pakistan a year ago under the leadership of Mujibur Rahman. In the subsequent independence struggle, however, a variety of leftist groups were active participants and they are now asserting that they have earned the right to share in governing the country. Ahmad has been considered sympathetic to this view, but most of his party apparently insists that the party should govern alone.

Some of the leftists are Moscow-oriented Communists who have had Soviet support. Both Moscow and New Delhi apparently have been pushing to get them a governmental role, which could possibly take the form of a multi-party advisory committee such as the one that was created last September to oversee the Awami League - dominated exile government. There is no evidence, however, that either the Indians or the Soviets are dissatisfied with their relationship with the current Bangla Desh leadership.

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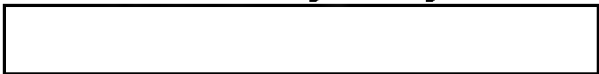
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KOREA: Pyongyang is professing increased concern about South Korea's intentions in declaring an "emergency."

In response to Seoul's claim that a North Korean invasion is "imminent," Pyongyang denied that it had any hostile intent and accused the Pak government of deliberately trying to quash popular sentiment for reunification stimulated by the North-South Red Cross talks at Panmunjom. More recent commentaries, including a Defense Ministry statement on 25 December, have dropped references to the talks, accused Seoul of deliberately attempting to foment war through provocations along the Demilitarized Zone, and warned that Pyongyang will strongly respond to such actions.

There is no evidence that Pyongyang is preparing for major military action against the South, although the North Koreans have cited the new emergency measures in Seoul and South Korean military exercises near the Demilitarized Zone in calling for greater defense expenditures.



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UK-MALTA: London is prepared for an immediate showdown with Prime Minister Mintoff over the amount to be paid for a continued British presence in Malta.

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London yesterday made clear that it was prepared to withdraw rather than pay the sum demanded by Mintoff.

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[REDACTED] [REDACTED]

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London indicated that Defense Minister Carrington was still willing to come to Malta immediately for further talks.

At least one British newspaper reported last evening that negotiations are almost at a standstill. British officials may have leaked the information in the hope that the Maltese public, alerted to the possibility of an imminent British withdrawal, would force Mintoff to take a more accommodating position.

Mintoff in the last ten days has conducted a well-orchestrated campaign to inform the Maltese of their "perilous and grave" financial situation and of the "crucial stage" reached in the talks with London.

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[REDACTED] it is not clear whether Mintoff is attempting to prepare the Maltese for an ultimate break with the UK or for acceptance of a cash/aid package substantially less than the almost \$47 million he is now demanding.

There is no evidence that Mintoff has found a realistic alternative to the British presence and subsidy, despite a cryptic statement to parliament on 22 December that "someone has already offered to come instead of the British..." A Soviet trade delegation left Malta on 27 December after a six-day

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visit, but the unpublished "trade agreement" which was signed probably was a vague joint document similar to those recently signed with Poland and Hungary. A North Korean delegation was in Malta recently and reportedly met with Valletta's trade and industry minister.



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ROMANIA-CHINA: Bucharest reportedly has concluded a contract to provide the Chinese 100 oil drilling rigs worth an estimated \$70-80 million over a two-year period.

The contract is another reflection of the closer economic and political relations that have developed between Bucharest and Peking since 1968, and particularly since President Ceausescu's visit to China last June. Romania has been providing China with an increasing volume of rigs and other petroleum equipment for many years as China's trade with the USSR declined. The present contract probably is the largest ever concluded between the two countries. During the 1950s the Soviets were China's principal supplier of petroleum equipment, but much of this machinery is now old, obsolete, and ineffective for present Chinese needs.

Romania is the second largest exporter of oil-field equipment in the world, behind the US. Although Romanian technology is not as advanced as that of the US, it is more sophisticated than much of Soviet technology and is well suited to the present stage of development of China's petroleum industry. Because of a reduction in demand, especially in the export market, Romanian production of oil rigs has fallen from more than 100 in the early 1960s to only 30 to 40 annually. Even though factory capacity would seem adequate to fill the new order from China, capacity reportedly is being expanded.

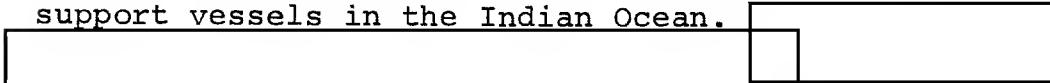
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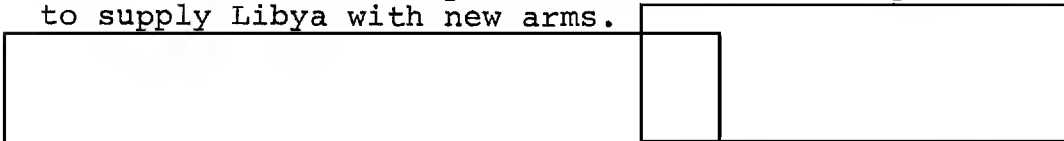
NOTES

USSR - INDIAN OCEAN: The Soviets have sent two cruise missile submarines and five surface combatants to the Indian Ocean since the outbreak of the Indian-Pakistani war on 3 December. This augmentation has resulted in the highest number of Soviet ships ever to operate in the Indian Ocean. Several of the 22 combatants and support ships now in the Indian Ocean may return home soon, but the level of Soviet activity will remain high with the arrival of additional combatants such as two F-class submarines that are still en route to the Indian Ocean. Since 1968, the Soviets have usually maintained a force of about three combatants and several support vessels in the Indian Ocean.



* * * *

LIBYA: The government has requested the withdrawal of British naval and army missions by the end of January as its latest move in the current anti-UK campaign. Earlier this month, Libya nationalized the British Petroleum Exploration Company following the breakdown in British-Libyan negotiations for the settlement of canceled military sales contracts. The expulsion order has little direct effect; the army team has been largely inactive since the 1969 coup, and naval training is provided by several other countries. The action, however, will probably affect British willingness to supply Libya with new arms.



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